

***KENNETH E. HARDMAN***

***ATTORNEY AT LAW***

***DIRECT DIAL: (202) 223-3772***

***2154 WISCONSIN AVENUE, N.W., SUITE 250  
WASHINGTON, DC 20007-2280***

***FACSIMILE: (202) 315-3587***

***[kenhardman@att.net](mailto:kenhardman@att.net)***

***EX PARTE MEMORANDUM***

December 17, 2009

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 – 12<sup>th</sup> Street, SW, Room TW-A325  
Washington, DC 20554

Re: Broadband Data Improvement Act, GN Docket No. 09-47;  
A National Broadband Plan for our Future, GN Docket No. 09-51;  
Deployment of Advanced Telecommunications Capability,  
GN Docket No. 09-137

Dear Ms. Dortch:

On December 16, 2009, Dave Wenhold and the undersigned, representing the Association of TeleServices International, Inc. (ATSI), met with officials of the National Broadband Plan Task Force and the Wireline Competition Bureau concerning the contribution methodology for funding the Universal Service Fund (USF) (NBP Notice #19). The Commission officials attending the meeting were Carol Matthey, Rebekah Goodheart, Cindy Spears and Elvis Stumbergs.

ATSI first summarized the substantial adverse impact a “Numbers” contribution methodology would have on ATSI members, if applied on a uniform, per-number basis or on a hybrid, “Numbers” and “connections” basis. ATSI noted that its members use a disproportionate amount of telephone numbers because significant blocks of Direct Inward Dial (DID) numbers are employed in their businesses for network signaling and call distribution purposes (referred to as “Proxy” numbers). The average ATSI member has approximately 2,000 DID numbers assigned to it by Local Exchange Carriers (LECs) generating less than three minutes of network use each per day; and the current ATSI member reimbursements to their carriers for USF contribution translates to less than ten cents per DID number per month.

At the publicly discussed contribution levels on the order of \$1.20 to \$1.50 per number, the USF contribution for the industry represented by ATSI would dramatically increase, and would approach 10% of a member’s entire gross revenue (approximately \$550,000 per year, of which approximately 45% is paid for direct employee costs).

ATSI then reviewed four basic principles that the Commission should employ to test the adequacy of any alternative contribution methodology:

1. The new methodology should not result in significant increases for end users.

2. The new methodology should not result in redistributing USF contribution obligations among different classes of end users.
3. If broadband services and facilities are supported by USF, providers of broadband access should contribute to USF.
4. The new methodology should recognize the relative value of different network uses to the end user.

In connection with the second principle, ATSI made the following points with respect to the information provided by AT&T in Appendix C to its comments in response to NBP Notice #19: Claims by the proponents of "Numbers" that business users would pay more than 50% of USF contributions under a "Numbers" regimen must be evaluated against the fact (as shown by AT&T's Appendix C) that the revenues from wireline business users constitute *two thirds* (66.5%) of all wireline end user revenues. The principal reason the "residential" users are shown by the proponents to come out as well as they do under "Numbers" is because the proponents lump the wireline and wireless users together in their analysis, which is analytically improper. Since (a) the wireless users benefit substantially under a "Numbers" methodology; (b) proponents classify approximately 75% of wireless users as "residential;" and (c) wireless revenues are almost as large as the wireline end user revenues, the undifferentiated claim that "residential" users benefit under "Numbers" is spurious and deceptive. In fact, the beneficiaries of "Numbers" are large business users with extensive interstate service requirements and wireless users, which are intrinsically high-value users of the network. Low value users, such as wireline small business and residential customers with low or no long distance requirements are inordinately punished by "Numbers". A copy of the handout of AT&T's Appendix C provided to the attendees at the meeting, with ATSI's notations, is attached to this memo.

In connection with the fourth principle, ATSI pointed out that the proponents' claim that "Numbers" would provide a stable revenue base is fallacious. ATSI argued that taxing the use of telephone numbers would provide an incentive to eliminate low value uses of those numbers, such as the "Proxy" numbers used by ATSI members for network signaling and call distribution, which would cause the monthly USF "Numbers" fee to spiral upwards.

ATSI stated that its preference would be to retain the current method of assessing contributions based on a percentage of interstate revenues, expanded to include providers of broadband access. However, if that is not tenable, ATSI stated that its second choice would be a properly structured methodology based upon connections to the network.

Respectfully submitted,

s/Kenneth E. Hardman

Enclosure

cc: Carol Matthey  
Rebekah Goodheart  
Cindy Spiers  
Elvis Stumbers

# Consumer-Business Allocation of Historic Intrastate, Interstate, and International Revenues Billed to End Users Reported for 2007\*

| \$ in Millions                            | Historic 2007     | Percent Allocator |            | Allocated Revenues |                   |
|---|-------------------|-------------------|------------|--------------------|-------------------|
|   | Enduser Revenues  | Consumer          | Business   | Consumer           | Business          |
| RBOCs                                     | \$ 50,993         | 37.04%            | 62.96%     | \$ 18,888          | \$ 32,105         |
| Other ILECs                               | \$ 10,124         | 38.66%            | 61.34%     | \$ 3,914           | \$ 6,210          |
| CAPs/CLECs                                | \$ 13,815         | 26.32%            | 73.68%     | \$ 3,636           | \$ 10,179         |
| Other Competitive Local Service Providers | \$ 1,011          | 38.66%            | 61.34%     | \$ 391             | \$ 620            |
| Interconnected VoIP                       | \$ 1,887          | 83.50%            | 16.50%     | \$ 1,576           | \$ 311            |
|   | 77,830            |                   |            | 28,405             | 49,425            |
| Payphone                                  | \$ 284            | 0.00%             | 100.00%    | \$ -               | \$ 284            |
| Wireless Telephony                        | \$ 116,602        | 76.80%            | 23.20%     | \$ 89,550          | \$ 27,052         |
| Wireless Data                             | \$ 149            | 46.10%            | 53.90%     | \$ 69              | \$ 80             |
| Paging/Messaging                          | \$ 518            | 10.00%            | 90.00%     | \$ 52              | \$ 466            |
| Specialized Mobile Radio Dispatch         | \$ 124            | 76.80%            | 23.20%     | \$ 95              | \$ 29             |
| IXCs                                      | \$ 29,755         | 25.00%            | 75.00%     | \$ 7,439           | \$ 22,316         |
| Operator Service Providers                | \$ 558            | 25.00%            | 75.00%     | \$ 140             | \$ 419            |
| Prepaid Calling Card Providers            | \$ 1,700          | 100.00%           | 0.00%      | \$ 1,700           | \$ -              |
| Satellite Service Providers               | \$ 351            | 25.00%            | 75.00%     | \$ 88              | \$ 263            |
| Toll Resellers and Other Toll Carriers    | \$ 9,792          | 25.00%            | 75.00%     | \$ 2,448           | \$ 7,344          |
|   |                   |                   |            | 11,815             | 30,342            |
| <b>ALL FILERS</b>                         | <b>\$ 237,663</b> | <b>55%</b>        | <b>45%</b> | <b>\$ 129,984</b>  | <b>\$ 107,679</b> |

\* From Table 1.9 of the 2008 Universal Service Monitoring Report

## Notes:

For Toll Carriers -- used 75% Business and 25% Consumer Split from Table 9.3 of the Trends in Telephone Service Report released Aug. 2007

For Wireless Voice and Data used IDC's estimates for 2007 from Table 3, "U.S. Total and Business Wireless Service Revenues."

For RBOCs, ILECs, and CLECs used composite percentages derived from Form 499A Reports

For Interconnected VoIP used 2007 VoIP Revenues from Ovum's April 2008 Report

119,987

LEC + IXC

40,220

79,767

33.5% 66.5%